

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 12/4/2009

GAIN Report Number: IN9157

India

Post: New Delhi

Weekly Highlights and Hot Bites No. 49

Report Categories:

Agriculture in the News

Approved By:

Holly Higgins

Prepared By:

A. Govindan, Santosh Singh, Deepa Dhankhar, Amit Aradhey

Report Highlights:

GDP growth target to be revised upwards, *Food inflation surges to 17.47 percent*, *India lifts 1 million ton cap on duty free sugar imports*, *Three-fourth vegetable oil crushing capacity unutilized*, *India sticks to its stand on WTO*, *John Deere offers crop solutions*, *Government looks to transgenic technology to boost pulses production*, *Bharti-Walmart earmarks USD 105 million for cash-and-carry*, *Probiotic food likely to come under clinical trial ambit*, *Fertilizer sector needs Rs 35,000 crores investment, says industry body*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India,

reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

GDP GROWTH TARGET TO BE REVISED UPWARDS

With a GDP growth of 7 percent in the first six months of this fiscal (Apr-Mar) compared to 7.8 percent a year ago, an enthused Finance Minister exuded confidence that the economy would post a growth of over 7 percent in 2009-10. Commenting on the unexpectedly high GDP growth of 7.9 percent in the second quarter of this fiscal, Planning Commission Deputy Chairman said, "... this performance does suggest that there may well have an upward revision in GDP growth of 6.5 percent, which has been projected so far." RBI Deputy Governor said, "Clearly, this is better news than we could have expected and we will have to review the forecast for the year as a whole." (Source: Hindu, 12/01/09)

FOOD INFLATION SURGES TO 17.47 PERCENT

Food inflation surged to 17.47 percent in the third week of November, fueled by expensive onions and other essentials. Food inflation stood at 15.58 percent a week ago. On a weekly basis, onion prices rose 12 percent, while it surged 30.89 percent on a yearly basis. Pulse prices were up 37 percent, while rice, wheat, fruits and milk were 10 percent costlier year-on-year. The rise in potato prices fell to 94.17 percent on a yearly basis, against an over 100 percent increase a week ago. "Food prices must be controlled; otherwise they have a tendency to lead to manufacturing inflation.... This will require monetary action by Reserve Bank of India, especially (money) supply management," Prime Minister's Economic Advisory Panel Chairman C. Rangarajan said. (Source: Mint, 12/04/09)

INDIA LIFTS 1 MILLION TON CAP ON DUTY FREE SUGAR IMPORTS

The government has removed the 1 million ton cap on duty free import of refined sugar, and extended the deadline for imports of such sugar from November 30, 2009 to March 30, 2010. In April this year, government had allowed state agencies to import up to 1 million ton of refined sugar, which was later extended to private trade. Indian companies, mostly bulk consumers, have imported over 960,000 tons of refined sugar. Earlier the bulk consumers had approached the government to remove the cap on imports due to severe domestic shortages. Sugar production in 2009/10 season is estimated at around 16.0 million tons, much lower than the annual consumption of 23 million tons. (Source: Business Standard, 12/01/09)

THREE-FOURTH VEGETABLE OIL CRUSHING CAPACITY UNUTILIZED

At a time when vegetable oil companies are worried over the growing dependence on imports due to stagnant domestic output, about 75 percent of the local crushing capacity remains unutilized after two months of the beginning of the season. Since big farmers are holding back their produce in anticipation of higher prices, market arrivals have declined by over 25 percent so far this season from the normal 2.5-3 million bags during previous seasons, said spokesperson, the Soybean Processors' Association (SOPA). Also, crushers are not willing to take up their business due to price disparity. According to the Solvent Extractors' Association, Executive Director, the crushing of oilseed fetches today a loss of Rs 1,000 per ton due to higher seed and lower oil prices. A majority of small and medium units have not yet started operations for the season, while big operators are compensating losses from other sources, said an analyst. The industry wants a levy on imports, on the argument that this would lead to a rise in edible oil prices. Seed prices will also go up, encouraging more farmers to sell. Since the rise in edible oil prices will be far more, crushers will find it much more economical to begin operations, goes the argument. (Source: Business Standard, 12/03/09)

INDIA STICKS TO ITS STAND ON WTO

Maintaining its official stand on world trade negotiations, India said the commitments by rich members of the World Trade Organization (WTO) on global trade rules should be more ambitious than those of the third world nations. "There is no change in India's negotiation position in agriculture and non-agriculture market access issues," said Commerce and Industry Minister Anand Sharma in Geneva. "A major concern of the developing countries is that development objectives of the Round continue to be diluted or ignored.... The reasons for the impasse are precisely the gap on headline issues. When are we going to address them?" he asked. (Source: Financial Expresses, 12/04/09)

JOHN DEERE OFFERS CROP SOLUTIONS

John Deere announced its entry into two new segments in India – crop solutions and micro irrigation products. "Both crop solutions and water technology will help enhance farm productivity and help enterprising farmers from subsistence levels to business entrepreneurs," said John Deere Director (Sales and Marketing). "We are assisting farmers in India in their quest towards global levels of productivity and the new products will be a major step in helping farmers realize their potential. There are huge potentials in the two segments. While over 7,000 harvesters are sold annually in India, only 5 to 6 percent of farmland is under modern irrigation techniques," he said. (Source: Hindu, 12/04/09)

GOVERNMENT LOOKS TO TRANSGENIC TECHNOLOGY TO BOOST PULSES PRODUCTION

The Government of India is drawing up a comprehensive program to introduce transgenic technology to improve the productivity of pulses. Pulses are vital part of Indian diet as an excellent source of protein. However, domestic production is insufficient to meet local requirement, and India imports 2-3 million tons annually. Thanks to the success of Bt cotton, government is convinced of the advantages of transgenic technology. Government officials informed that the government is drawing up a plan for use of transgenic technology in enhancing pulse production and productivity, but did not specify time frame or funds for the project. The Ministry of Agriculture plans to increase pulse production by 2 million tons and acreage by 4 million hectares by 2012. (Source: Mint, 12/04/09)

BHARTI-WALMART EARMARKS US\$ 105 MILLION FOR CASH-AND-CARRY

Bharti-Walmart Pvt. Ltd., the joint venture between Bharti Enterprises and US-based Walmart Stores Inc, has earmarked over US\$105 million (excluding land and construction) for cash-and-carry operations in India for the next three years. The company plans to roll out 15 'Best Price Modern Wholesale' cash-and-carry outlets, each occupying a space of 50,000-100,000 square feet, within three years. According to the Wal-Mart Spokesperson, the company is looking at setting up facilities in Tier-II and Tier-III cities. Additionally, the objective of the company's operations was to cut wastage and not the middlemen, as they could play a significant role in improving the distribution network. (Source: The Business Standards, 12/04/09)

PROBIOTIC FOOD LIKELY TO COME UNDER CLINICAL TRIAL AMBIT

The probiotic food industry in the country may have to establish the safety and efficacy of their products through clinical trials just like drugs. According to the Indian Council of Medical Research draft guidelines, companies will have to conduct clinical trials if they wish to use the word "probiotic" on their label. According to ICMR recommendations, even imported products, which may have undergone requisite trials in other geographies, would have to be tested on Indian population before they are granted marketing approval. This is expected to reduce exaggerated, false and broad generalized claims that accompany probiotic food products. (Source: The Financial Express, 12/04/09)

FERTILIZER SECTOR NEEDS RS 35,000 CRORES INVESTMENT, SAYS INDUSTRY BODY

The fertilizer industry will need Rs.350 billion (\$7.5 billion) investments to augment capacity and meet demand, according to the Fertilizer Association of India (FAI). There is a need for producing an additional six million tons each in urea and DAP fertilizers over the next three years for ensuring food security, stated Chairman, FAI. The gap between the consumption and domestic

production of nutrients had increased from one million tons in 2003-04 to 7.3 million tons in 2008-09. The industry is in a bad shape due to delays in releasing subsidies from the Government. To discuss various issues such as decontrol of the industry and tax holidays, incentives for all new fertilizer projects, the FAI would hold its three-day annual conference in Hyderabad starting from December 03, 2009. (Source: Business Line, 12/02/09)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN9153	Weekly Highlights & Hot Bites, #48	11/27/09
IN9154	Cotton and Products: Quarterly Update – December	11/30/09
IN9156	Grain and Feed: December Update	12/04/09

WE ARE ON THE NET

Visit our headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/NEWDELHI EMAIL

To reach FAS/New Delhi, email us at Agnewdelhi@fas.usda.gov